

## HOUSE BILL NO. 798

INTRODUCED BY C. KAUFMANN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS RELATING TO INDIVIDUAL INCOME TAXES; INCREASING INDIVIDUAL INCOME TAX RATES ON TAXABLE INCOME IN EXCESS OF \$250,000; PROVIDING THAT A PORTION OF INDIVIDUAL INCOME TAX COLLECTIONS BE ALLOCATED TO THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES FOR CERTAIN CHILD CARE SERVICES; AMENDING SECTIONS 15-1-501, 15-30-103, AND 53-6-1101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-1-501, MCA, is amended to read:

**"15-1-501. Disposition of money from certain designated license and other taxes.** (1) (a) Except as provided in subsection (5), the state treasurer shall deposit to the credit of the state general fund in accordance with the provisions of subsection (3) all money received from the collection of:

~~(a)~~(i) except as provided in subsection (1)(b), income taxes, interest, and penalties collected under chapter 30;

~~(b)~~(ii) except as provided in 15-31-121, all taxes, interest, and penalties collected under chapter 31;

~~(c)~~(iii) oil and natural gas production taxes distributed to the general fund under 15-36-331;

~~(d)~~(iv) electrical energy producer's license taxes under chapter 51;

~~(e)~~(v) the retail telecommunications excise tax collected under Title 15, chapter 53, part 1;

~~(f)~~(vi) liquor license taxes under Title 16;

~~(g)~~(vii) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;

~~(h)~~(viii) estate taxes under Title 72, chapter 16; and

~~(i)~~(ix) fees based on the value of currency on deposit and tangible personal property held for safekeeping by a foreign capital depository as provided in 15-31-803.

(b) For each fiscal year of the 2007 biennium, \$5.8 million of income taxes, interest, and penalties collected under chapter 30 must be allocated to the prevention and stabilization account in the state special

1 revenue fund established pursuant to 53-6-1101 to the credit of the department of public health and human  
2 services to provide child care for low-income families.

3 (2) The department shall also deposit to the credit of the state general fund all money received from  
4 the collection of license taxes and all net revenue and receipts from all sources, other than certain fees, under  
5 Title 16, chapters 1 through 4 and 6.

6 (3) Notwithstanding any other provision of law, the distribution of tax revenue must be made according  
7 to the provisions of the law governing allocation of the tax that were in effect for the period in which the tax  
8 revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed by the department  
9 of administration, pursuant to 17-1-102(2) and (4), in accordance with generally accepted accounting principles.

10 (4) All refunds of taxes must be attributed to the funds in which the taxes are currently being recorded.  
11 All refunds of interest and penalties must be attributed to the funds in which the interest and penalties are  
12 currently being recorded.

13 (5) The administrative assessment provided for in 15-1-141 must be deposited in an account in the state  
14 special revenue fund to the credit of the department."  
15

16 **Section 2.** Section 15-30-103, MCA, is amended to read:

17 **"15-30-103. Rate of tax.** (1) There must be levied, collected, and paid for each tax year upon the  
18 taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as  
19 provided in this chapter, a tax on the brackets of taxable income as follows:

20 (a) on the first \$2,300 of taxable income or any part of that income, 1%;

21 (b) on the next \$1,800 of taxable income or any part of that income, 2%;

22 (c) on the next \$2,100 of taxable income or any part of that income, 3%;

23 (d) on the next \$2,200 of taxable income or any part of that income, 4%;

24 (e) on the next \$2,400 of taxable income or any part of that income, 5%;

25 (f) on the next \$3,100 of taxable income or any part of that income, 6%;

26 (g) on the next \$236,100 of taxable income or any part of that income, 6.9%;

27 (h) on the next \$250,000 of taxable income or any part of that income, 7.25%;

28 (i) on the next \$250,000 of taxable income or any part of that income, 7.5%;

29 (j) on the next \$250,000 of taxable income or any part of that income 7.75%;

30 (k) on any taxable income in excess of ~~\$13,900~~ \$1,000,000 or any part of that income, ~~6.9%~~ 7.9%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for that tax year and round the cumulative brackets to the nearest \$100. The resulting adjusted brackets are effective for that tax year and must be used as the basis for imposition of the tax in subsection (1) of this section."

**Section 3.** Section 53-6-1101, MCA, is amended to read:

**"53-6-1101. Prevention and stabilization account -- allocation of proceeds.** (1) There is a prevention and stabilization account in the state special revenue fund provided for in 17-2-102. Money in the account must be used by the department of public health and human services to finance, administer, and provide health and human services.

(2) (a) Funds in the prevention and stabilization account must be used for the following programs in order of priority:

(i) child care for low-income families;

~~(i)~~ (ii) prescription drugs for adults with a serious and disabling mental illness eligible for programs initiated pursuant to 53-21-702(2) and (3);

~~(ii) child care for low-income families;~~

(iii) the Montana initiative for the abatement of mortality in infants administered pursuant to 50-19-301;

(iv) independent living;

(v) extended employment;

(vi) child support enforcement state matching funds;

(vii) stabilization of rates for medicaid mental health services;

(viii) medicaid hospice services;

(ix) home health therapy services;

(x) poison control; and

(xi) AIDS funds.

(b) Funds remaining after allocations to the priorities in subsection (2)(a) may be expended for other programs as directed in 17-6-606(1).

(c) Appropriations from the prevention and stabilization account for programs listed in subsection (2)(a) are restricted for the use specified and may not be transferred to other programs pursuant to 17-7-139."

1 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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3        NEW SECTION. **Section 5. Retroactive applicability.** [Section 2] applies retroactively, within the  
4        meaning of 1-2-109, to tax years beginning after December 31, 2004.

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